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1 UNITED STATES BANKRUPTCY COURT
2 SOUTHERN DISTRICT OF NEW YORK
3 Case No. 22-10964-mg

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5 In the Matter of:

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7 CELSIUS NETWORK, LLC,

8

9 Debtor.

10 - - - - - x

11 United States Bankruptcy Court

12 One Bowling Green

13 New York, NY 10004

14

15 March 20, 2024

16 11:04 AM

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21 B E F O R E :

22 HON MARTIN GLENN

23 U.S. BANKRUPTCY JUDGE

24

25 ECRO: KS

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1 HEARING re Hybrid Hearing re: Post-Effective Date Debtors
2 Motion Seeking Entry of an Order (I) Approving Automatic
3 Revocation of Presumed Mistaken Convenience Claim Elections,
4 (II) Approving Optional Revocation Procedure for Eligible
5 Convenience Claim Elections, and (III) Granting Related
6 Relief. (Doc. ## 4372, 4417, 4530, 4336, 4433, 4434, 4485,
7 4713, 4732)

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25 Transcribed by: Sonya Ledanski Hyde

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1 P R O C E E D I N G S

2 CLERK: All rise.

3 THE COURT: Please be seated. Good morning, Mr.
4 Koenig.

5 MR. KOENIG: Good morning, Your Honor.

6 THE COURT: Are you feeling lonely in the
7 courtroom?

8 MR. KOENIG: Yeah. Mr. McCarrick at the last
9 hearing said something like he'd lost all of his friends.
10 And I think that sums it up.

11 THE COURT: All right. I don't mean to make fun.
12 Just for those who are on Zoom, Mr. Koenig is the only one
13 in the courtroom, obviously besides the judge and staff.

14 Mr. Koenig, go ahead.

15 MR. KOENIG: Thanks, Your Honor. For the record,
16 Chris Koenig of Kirkland & Ellis for the post-effective-date
17 Debtors.

18 So, Your Honor, there's been a bit of
19 correspondence on the docket about the claims process. It
20 feels like the early days of the case again. We only have
21 one motion this morning that is I would describe almost
22 uncontested. So with Your Honor's indulgence, I think it
23 makes sense to give you some context for the distribution
24 process, how things are going, common issues and things of
25 that nature, especially given the number of creditors that

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1 we have on the phone.

2 So this is the most complicated claims
3 distribution process that I've ever been a part of. We are
4 slated to make distributions to nearly 400,000 people in
5 almost every country in the world. It's over 150 countries.
6 And we will be distributing to anyone who is eligible to
7 receive cryptocurrency, we will give them cryptocurrency,
8 Bitcoin and Ethereum. And we will be distributing U.S.
9 Dollars to anyone who cannot receive cryptocurrency for any
10 reason. And this distribution process is very complicated
11 because we worked to give creditors what they demanded from
12 us; a distribution in cryptocurrency to the extent they
13 could receive it.

14 Our creditors are people who are bought into the
15 power and benefits of crypto. We held on to the crypto
16 through the bankruptcy. We did not sell it. Other debtors
17 have sold it. That would have been the easy thing to do.
18 FTX sold their crypto and is making distributions in U.S.
19 Dollars. But we know from our conversations with the
20 Committee, ad hoc groups, and individual creditors, our
21 creditors wanted crypto. And to the extent we were able to
22 give it to them, we wanted to do that.

23 Now of course we have to be able to give it to
24 them in a way that is regulatorily compliant. One of the
25 major issues in this entire case was what did the regulators

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1 think about our distributions. And we worked carefully with
2 them to make sure that we were making distributions that
3 they were okay with. We worked with them to make
4 distributions of Bitcoin and Eth only, not of other alt
5 coins like Sushi Coin or Dogecoin or all of the other tokens
6 that Celsius offered prepetition.

7 So we've worked with regulators to do something
8 that they would support. And Your Honor may remember we
9 actually had no objections from regulators to confirmation I
10 think as part of that process.

11 So we developed a very complex distribution plan
12 to give as many people crypto as possible while complying
13 with all regulations, which I will come back to in a moment.
14 We spent months preparing for this incredibly complicated
15 distribution. We started negotiating with potential
16 distribution agents last summer and we selected Coinbase and
17 PayPal around the time of the disclosure statement.
18 Coinbase and PayPal are some of the largest and most trusted
19 cryptocurrency distribution partners in the world. We
20 wanted to select partners that allowed us to make the most
21 distributions of cryptocurrency to the most possible people
22 while fully complying with all regulatory requirements in
23 all of the different jurisdictions. That includes Know Your
24 Customer and Anti-Money Laundering requirements, KYC and
25 AML.

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1 Those requirements are really important. Because
2 I don't want to wake up and read the front page of the Wall
3 Street Journal and it turns out that we have distributed
4 currency to a Russian oligarch or a terrorist organization
5 or anything like that. And that's important to the
6 regulators too of course. So we found trusted distribution
7 partners who were fully regulatorily compliant in all of
8 these jurisdictions.

9 So let's go back to January where we were at the
10 peak of our preparation for the effective date. We were
11 preparing to send billions of dollars to hundreds of
12 thousands of people all over the world. And we thought at
13 the time that about 90 percent of those distributions could
14 be in cryptocurrency. And about ten percent that for
15 various reasons, the most important of which is what
16 jurisdiction are you in. PayPal is our distribution agent
17 in the United States. Coinbase is our international
18 distribution agent. Coinbase, we have about 150 countries
19 where we have customers to distribute to. Coinbase services
20 about half of them. And it's mostly the larger
21 jurisdictions; Western Europe, larger Asian countries and
22 the larger countries.

23 If you live in a smaller country in South America,
24 perhaps Coinbase doesn't have the license to distribute to
25 you. And of course if I don't have a distribution partner

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1 that is allowed to distribute to you, we have to give you
2 dollars. That's the only thing we can do.

3 So what we did is we designed and we developed a
4 master claims management system that had every creditor in
5 the case. And what we thought -- we could give them the
6 crypto or give them cash based on where we thought they
7 lived at the time based on our record.

8 Now, that's not perfect. If I thought that you
9 lived in California, Your Honor, but you had actually moved
10 to Botswana, a place that Coinbase doesn't support, there's
11 going to be a little bit of movement of course. But we
12 believe that 90 percent of our creditors could get crypto.
13 We reserved enough Bitcoin and Ethereum to make
14 distributions to those people. And the plan provides that
15 for anybody that can't get cryptocurrency, we will give them
16 an equivalent amount of cash.

17 Now, the most complicated thing about this
18 distribution is that bitcoin is -- the price fluctuates. I
19 hesitate to call it a commodity because of the legal
20 implications. But for simplicity's sake, I'll say it's a
21 commodity.

22 THE COURT: Moved a little bit since the start of
23 this case, hasn't it?

24 MR. KOENIG: It moved a little bit since the
25 effective date, in fact, which is what I'm getting to.

1 So the plan drew a line in the sand. Here is the
2 distribution record date on which point we calculate all
3 distributions. So it's the cryptocurrency distribution
4 record date. And that date was set at 15 days before the
5 effective date, which turned out to be January 16th, 2024.
6 Now, that was important because we set aside an amount of
7 cash and crypto to make sure that we could comply with our
8 obligations under the plan. We had to reserve enough
9 crypto, we had to reserve enough cash because we knew that
10 it was possible that bitcoin as a commodity could fluctuate
11 up or fluctuate down, and there has to be a date at which we
12 all look and say this is the price, all of those sorts of
13 things.

14 So, for example, if somebody was entitled to
15 receive one Bitcoin and ten Ethereum. And we could reserve
16 crypto. It's very easy. Reserve one Bitcoin and ten
17 Ethereum. If you lived in a place that we couldn't give you
18 crypto or we didn't believe we could give you crypto for
19 whatever reason, we reserved an equivalent amount of cash at
20 January 16th prices. On January 16th, Bitcoin was about
21 \$43,000 and Ethereum was about \$2,600. Now, those prices
22 are about double what they were on the petition date and
23 they've gone up significantly more since.

24 But what we did was the best that we could do at
25 the time with the information we had. And we were complying

1 with the plan, which set a date on which the calculations
2 would have been made.

3 Now, of course since January the price of crypto
4 has gone up. And that is great news for most of our
5 creditors. If you received crypto and you received Bitcoin,
6 that Bitcoin is now worth \$63,000, \$65,000 when it was worth
7 \$43,000. If you received a U.S. Dollar check for \$43,000, I
8 understand perhaps your frustration that, oh, if only I
9 could have received crypto, I would have received 65 instead
10 of 43. But se can't see into the future with a crystal
11 ball. All we could do was the best that we could at the
12 time. And as of January 16th, those are the prices.

13 And if the prices had gone the other way, those
14 creditors would have said, boy, Bitcoin was \$43,000 on the
15 effective date. You should have given me \$43,000.

16 So it's very difficult with this commodity that is
17 so fluid in price. And it's so expensive to hedge. We
18 couldn't have bought hedges for this just to have it. But
19 we understand the frustration of creditors that have
20 received cash instead of crypto. But we sold the crypto
21 that would have otherwise gone to them on or around January
22 16th in accordance with the plan. There's nothing else that
23 we can do. I've read all the letters that they -- boy, they
24 should make me whole, they should account for the runup in
25 prices. We can't do that. We sold their crypto a month-

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1 and-a-half ago. We are doing our best.

2 And the whole point of the motion here today is to
3 try to do our best by as many people as humanly possible.
4 It's a very unusual motion. I've never filed it before. I
5 hope to never have to file it again. But I hope that Your
6 Honor and the parties listening know that we are endeavoring
7 to do our very best by everybody in this process. It's very
8 complicated and some things just can't be done. And there
9 were steps that had to be taken in January to prepare for
10 this eventuality. And yes, crypto went up. And that is
11 such great news for so many of our creditors. I think it
12 justifies the strategy we took in the case. But I don't
13 think anybody has been inequitably treated. It is what the
14 plan says. It is what the plan says.

15 So with that, I want to quickly turn to the status
16 of distributions and how has it been going. So my colleague
17 --

18 THE COURT: Either now or when you finish that, I
19 also want to hear about the status of the first two -- the
20 rest of the shares of MiningCo.

21 MR. KOENIG: Yes, no, wonderful. And I've got a
22 couple of other quick topics.

23 THE COURT: That's fine. Go in your --

24 MR. KOENIG: Thank you, Your Honor. And I
25 appreciate the preview.

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1 So my colleague, Ms. Golic, we filed some slides
2 last night, Your Honor, to sort of illustrate how it's
3 going. And, Deanna, I believe that you made Ms. Golic a co-
4 presenter. So if she could present some of the slides. And
5 I'll start on this slide right here.

6 This sort of walks through our different
7 distribution channels and how it's been going. And these
8 percentages on the right column are the percentages of
9 people that are eligible to receive a distribution.

10 THE COURT: Let me ask you for a moment.

11 MR. KOENIG: Yes.

12 THE COURT: So for anyone who has access to ECF,
13 these slides were filed as ECF Docket 4732.

14 MR. KOENIG: Thank you, Your Honor.

15 THE COURT: Go ahead.

16 MR. KOENIG: So this presentation lays out as of
17 yesterday the amount of people that have successfully
18 claimed distributions. And there's percentages on the right
19 that say successfully distributed. And there's a footnote
20 that's too small perhaps to read on the screen. But what it
21 says is the percentages are of people that are eligible to
22 receive distributions. They're people that opt out of the
23 class claim settlement and they're going to litigate their
24 claims before Your Honor at some point in time. They're not
25 part of the denominator because they're just not eligible to

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1 receive claims. Those sorts of things.

2 So today is I believe the 47th day after the
3 effective date. And we have successfully distributed --
4 that means somebody has actually claimed -- it is in their
5 account and it is in their hands, they can do whatever they
6 want with it. 86 percent if they were assigned to PayPal or
7 Venmo. And again, those are U.S. creditors predominantly.

8 Of the remaining 14 percent that haven't claimed a
9 distribution, 11 percent of them have not done the necessary
10 KYC process to register for their distribution, or they just
11 haven't clicked on their code. So with PayPal, eligible
12 creditors get two emails with individualized codes. They go
13 onto PayPal's website, they type in the code. And if
14 everything is correct, it will just be deposited in their
15 account.

16 THE COURT: Just for creditors in the United
17 States who elected for crypto, where can they look to find
18 the instructions that you've just described as to what to do
19 in the case that they -- you say three percent that have
20 failed to onboard, et cetera. Where can they look to get
21 the directions as to what to do?

22 MR. KOENIG: Thank you, Your Honor. So in the
23 email that everybody receives, there are links to FAQs and
24 other help services that are there. We filed several claims
25 distribution updates. The company has an FAQ as well.

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1 Those are all in filings on the docket. They are pretty
2 prominently titled. You know, Debtor's first update on
3 distributions, Debtor's second update on distributions. And
4 anybody listening, if you can't find it, feel free to reach
5 out to and we'll be happy to --

6 THE COURT: Let me suggest this. After the
7 hearing today, put it on the docket again so somebody
8 doesn't have to search the entire docket looking for it.

9 MR. KOENIG: Wonderful.

10 THE COURT: There will be -- almost at the very
11 bottom of the ECF list will be the directions again for
12 anyone who hasn't done it so far.

13 MR. KOENIG: Yes. And maybe what we'll do is like
14 a notice of, you know, important distribution filings and
15 we'll take the three or four of them and we'll just compile
16 them all in one. That might make it even easier.

17 So of the 11 percent, some of them just haven't
18 completed the KYC process, which is on them. And they
19 should have received instructions on how to do that, or they
20 just haven't typed in their codes. Or they've typed in
21 their codes and they're having some sort of problem. I'm
22 sure you've read those letters, just as we have. We've read
23 them. We've investigated them. I would say all of them
24 that we've reviewed, there appears to be some sort of issue
25 on their end. Haven't actually completed the KYC, they're

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1 not actually typing in the code right. We're doing our best
2 to respond to those individual creditors and try to point
3 them in the right direction. But it's challenging.

4 THE COURT: Who do they contact if they haven't
5 been able to successful do this?

6 MR. KOENIG: Right. So there is a ticketing
7 system that is on all of these different FAQs and so on and
8 so forth that you can put in your problem and you can select
9 on a dropdown, I'm having trouble claiming at PayPal. And
10 that will route you to the right people that will get you a
11 quick answer.

12 THE COURT: Okay.

13 MR. KOENIG: And I think that that's very
14 important. And then three percent failed onboarding, which
15 means they've provided their information and they are -- the
16 shorthand is banned by PayPal for whatever reason. They
17 violated their terms of service in the past, and so PayPal
18 doesn't want to service somebody that's scammed them out of
19 a prior distribution. Which, you know, it is what it is.
20 We will migrate those users to Coinbase first if we can.
21 And if they are banned at Coinbase too, we will give them
22 Fiat.

23 Now, the interesting thing here is -- so I talked
24 about the January 16th issue and how we had to set it aside.
25 If we're holding Bitcoin and Ethereum for somebody and it

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1 turns out they can't receive it because they fail onboarding
2 or they move to a country that -- we thought they were in
3 California but they're actually in some country that
4 Coinbase doesn't service. The plan provides that we can
5 sell that crypto and give them whatever the proceeds are.
6 Because I actually have the crypto. We have the crypto I
7 should say. So if today we converted somebody that was
8 banned at PayPal to Fiat and you were going to get one
9 Bitcoin, you would get one Bitcoin -- whatever today's
10 prices are. I've seen a lot of letters and a lot of
11 concerns saying Celsius is going to steal the overage. If
12 we have it, we will give it to you. Nobody is stealing
13 anything. Nobody is stealing anything. So that's the
14 PayPal --

15 THE COURT: May I ask this?

16 MR. KOENIG: Yeah.

17 THE COURT: You just provided I think important
18 information. It doesn't appear to affect a very large
19 number of creditors, but it does.

20 MR. KOENIG: yes.

21 THE COURT: Is there a place where they can look
22 and see essentially what you've just said? In other words,
23 if people had elected crypto and you're not currently able
24 to provide it because PayPal or Coinbase won't do it but
25 you're holding the crypto, given the runup in the price

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1 since January 16th, it's important. Is there a place they
2 can look and see what you've just said?

3 MR. KOENIG: Yes. And in the notice that we
4 filed, which we will refile. And it is in -- what we've
5 done is we've been trying to improve the process. And I
6 think communications is the area that we worked very hard on
7 this process. I think we were surprised by the overwhelming
8 number of inquiries. In the days after the effective date,
9 we had thousands of inquiries a day and our queue got up to
10 20,000.

11 THE COURT: I haven't received thousands, but as
12 you know, because my clerks have made sure when we've
13 receive inquiries, we've made sure that both the Debtor and
14 the Committee have received copies of it. They may have
15 received it directly, but we've made sure of that.

16 MR. KOENIG: Yes, right. And we've done our best
17 to respond to people as promptly as possible. But we have
18 taken steps to improve our communication strategy and sort
19 of continue to build the airplane out as we're flying it. I
20 mean, we had a very good plan, but there's always ways you
21 can improve the process.

22 And so many letters complained about slow
23 responses of form responses. We pointed people to FAQs and
24 form answers because that works for the vast majority of
25 people. And there are people that have said, boy, why can't

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1 you just push my individual distribution through? Well, I
2 do have 15,000 people saying that. And we have tried to
3 triage and focus on common issues and focus on issues that
4 will resolve issues for the most people at once rather than
5 sort of playing whack-a-mole and solving this person's
6 individual issue and then that person's individual issue.
7 So we focused on inquiries that were more time-sensitive and
8 would allow us to get to common answers.

9 THE COURT: So the slide you have on the screen,
10 overall 80 percent of the distributions have successfully
11 occurred so far.

12 MR. KOENIG: Yes. And --

13 THE COURT: Twenty percent still leaves a lot,
14 but...

15 MR. KOENIG: Right. And that includes the Fiat
16 distributions, too. So if it's just the crypto
17 distributions, it's 85 percent total. It's 86 percent at
18 PayPal, 83 percent at Coinbase, and a blended 85. And I'll
19 go through Coinbase in a moment. But just on the
20 communications before I lose the thread.

21 We've been listening to the requests for more
22 detailed and personalized responses. And we've been working
23 to improve our communication strategy to make sure that
24 people get more frequent updates from us. So our goal that
25 we set about a week-and-a-half ago was that every creditor

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1 that has not received a distribution should get a new email
2 from us with the status, what do they need to do, what are
3 the next steps. And for some of them it should be, you
4 know, you'll receive a reattempt next week, and for some of
5 them you have a little bit more of a complicated situation,
6 but here is the status.

7 We're almost done with those distributions. We've
8 sent our more than 150,000 emails. And I am pleased to
9 report that in the last week we've made a lot of progress on
10 these numbers. They would have been lower last week. We
11 made quite a bit of progress.

12 But we've developed solutions that will help us
13 respond to creditors quicker. The process is complicated
14 because the company, Celsius, is directing the
15 distributions. But we're not actually making the
16 distributions. Coinbase, PayPal, and our Fiat partners are
17 making the distributions. So we rely on data from them to
18 say, you know, this distribution failed to Chris Koenig for
19 whatever reason. We have to get that data back. And we've
20 been working with them to develop an improved system so that
21 the people making the distribution, Coinbase and PayPal, can
22 give us information in more real time that will allow the
23 people answering the flood of creditor questions more
24 promptly so that we have the latest and greatest technology.
25 But it is complicated.

1 But we've now largely caught up on communications.
2 The outstanding tickets are much lower than they've been in
3 the last few weeks. And just anecdotally in the last three,
4 four, five days, we have seen that number go way down as our
5 new communication strategy rolled out. And as these
6 distribution numbers go up, we have fewer questions because
7 people have fewer outstanding issues. Which is very good.

8 So I talked about PayPal a little bit. Let me
9 talk about Coinbase quickly. And then I have a couple of
10 other quick topics because I know there's a lot of people
11 on the line, and some of them raised some of these topics.

12 So Coinbase doesn't have codes. If you have an
13 account -- if I have an account at Coinbase for Chris Koenig
14 and the KYC matches, because they need to make sure that I'm
15 the same Chris Koenig that is a customer of Celsius -- I
16 won't bore Your Honor with the details, but it is
17 complicated. If I have a fully-KYC'd account with Coinbase
18 and they know that I'm the right Chris Koenig, when Coinbase
19 goes to attempt the distribution, if it worked, I get an
20 email that says congratulations, you just received crypto
21 from Celsius. That's the happy path. That's easy, no
22 problem.

23 If you -- but Coinbase is going to attempt
24 everyone regardless of -- they don't check first to see does
25 Chris Koenig have an account, their system just tries me.

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1 And if it works, great. And if not, it comes back with a
2 failure that says Chris Koenig doesn't have a KYC'd account.
3 And I get an email that says, Chris, we just tried you, it
4 didn't work. You know, you need to complete KYC, you need
5 to open an account. Here are links to what you need to do.

6 And so Coinbase first tried these distributions
7 around February 14th, about two weeks after the effective
8 date. And a number of people it worked, and a number of
9 people hadn't set up accounts yet, which I totally
10 understand. Those people initially got a communication
11 because we had understood in that moment that they would
12 never be able to get something from Coinbase. It was more
13 akin to Coinbase has banned you, then you don't have a KYC
14 account. We looked into it because those numbers seemed
15 high to us. And it turned out that it was just a
16 misunderstanding. Those people just didn't have an account.
17 So those people subsequently got an email from us that said
18 that earlier communication was in error, please go and open
19 an account, do the KYC. We will try you again. We will try
20 you on a periodic basis.

21 On Monday, Coinbase ran it again, and a full third
22 of the outstanding accounts had done what they needed to do
23 and had opened an account and had provided Coinbase and we
24 distributed a full third of the outstanding amounts from
25 Coinbase. That number was a little bit over 70 percent

1 literally two days ago. So we are making progress. And
2 similarly here, you see sort of a same percentage. You have
3 of the remaining 17 percent, 13 percent just haven't done
4 the KYC properly and need to do it or need to create an
5 account or something like that. And about four percent, the
6 data that we have suggests that they may not ever be able to
7 meet the KYC because they are on some sort of banned list or
8 whatever the case may be. Those people will be migrated to
9 Fiat. And again, same explanation goes for PayPal. If we
10 have their crypto, we will sell it and we will give them the
11 proceeds, whatever they are at the time. So we've made a
12 lot of progress recently with Coinbase.

13 I had, again, just sort of anecdotally. But as
14 you can imagine, I have a number of phone calls with lawyers
15 and pro se alike these days. And in the last couple of
16 days, I would say half of those calls were cancelled because
17 people said I appreciate your time, but I just got my
18 distribution. Again, it's anecdotal evidence, but I think
19 the data bears it out that the process is working. And I
20 think that we're ahead of the curve. In large retail
21 bankruptcies, it can take quite some time for distributions
22 to go out. And in the other large crypto bankruptcies, it
23 took time, too. In one of them, it took 30 days for them to
24 start the process. 14 days in, we distribute 75 percent of
25 the value and 50 days in we've distributed 85 percent of the

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1 value. And, frankly, three-quarters of the remaining value
2 to be distributed, we're waiting on somebody to open an
3 account or complete KYC, and there's only so much that we
4 can do there. People are getting regular communications
5 from us, obviously, to remind them to do those sorts of
6 things.

7 But what I will say to Your Honor is, you know, I
8 want this number to be as high as possible as quick as
9 possible. But it's sort o f the 80/20 rule of 80 percent of
10 the time -- 20 percent of the time is spent on solving the
11 first 80 percent of the problem, but the last problems are
12 the more difficult ones to solve. We've gotten emails from
13 people who are like, I understand, you thought I lived in
14 California. I now live in Botswana. We can help that
15 person, but that's a very manual process and it's going to
16 take a little bit of time.

17 So we are endeavoring to get distributions out to
18 people as quickly as possible, but I don't expect this
19 number to hit 95 percent in a month. It's going to be a
20 little bit slower going. Now that we've solved all the
21 common problems, we're going down to the brass tacks of the
22 difficult, individualized problems.

23 Okay, just a couple of other updates. And I
24 apologize for being long-winded, but I think it's important.

25 So Fiat. Fiat is the third row on this chart.

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1 It's U.S. Dollars. So unfortunately, we had to change our
2 bank in February. We were with Flagstar, who had bought
3 Signature Bank. And they unfortunately were running into
4 their own distress. And the irony is not lost on me that in
5 a crypto bankruptcy we are worried more about the security
6 of the U.S. Dollars than of the crypto. I have to say that
7 out loud.

8 So we moved banks because it would be a disaster
9 if our banking partner went under and took our money with
10 it. So we transferred to a new bank successfully, but it
11 took a few weeks to migrate and to get a new corporate
12 account set up and all of the bells and whistles that you
13 need to get the services online that allows us to send
14 checks and wires all over the world. And Fiat is one of the
15 other I would say success stories where we overhauled the
16 process based on initial feedback.

17 So our plan had been to send checks to everybody
18 eligible to receive Fiat, which is very inexpensive, it's
19 very simple, and it works. But 45 percent of our creditors
20 live outside the United States. And when we sent
21 communications right after the effective date saying we're
22 going to send you a check, please update your address if
23 you've moved recently, people said, whoa, whoa, whoa, I live
24 in a country where the post doesn't get delivered regularly,
25 the post is corrupt, people steal checks, my bank won't

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1 deposit a U.S. Dollar check. You need another solution.

2 So we used the timing delay to our advantage from
3 moving banks and we overhauled the system. Anybody with a
4 claim of at least a thousand dollars can get a wire transfer
5 for this, which should solve the problem for the
6 international people. Eligible creditors should receive a
7 communication by the end of the week asking for wire
8 transfer instructions. We've asked for quite a few of them
9 already. We just keep going out to more and more people as
10 we hear of this issue.

11 THE COURT: How are you dealing with potential
12 security issues regarding wire transfers to ensure that
13 these are the proper accounts?

14 MR. KOENIG: For sure. I mean, there is as you
15 can imagine a validation and security process that I am not
16 equipped to go through in detail. But rest assured that our
17 banking partner does this for a living and the company does
18 this for a living.

19 THE COURT: And your banking partner is who now?

20 MR. KOENIG: Pardon?

21 THE COURT: Who is the current banking partner?

22 MR. KOENIG: Oh my god. It's totally blanking on
23 me. I'll get it when I sit back down. But it's a
24 significant bank. I'm just totally blanking on it. But we
25 are confident in the process. Frankly, the biggest problem

1 we've had is getting people to send us the right
2 information. Because we can only complete a wire transfer
3 if they fill out the form correctly.

4 THE COURT: You need a routing number.

5 MR. KOENIG: And some of these creditors don't
6 speak English as a principal language, which is totally
7 understandable. But we'll get back a wire transfer form that
8 has their name and their address, and we need the name of
9 the bank.

10 THE COURT: Have you prepared wire transfer
11 instructions --

12 MR. KOENIG: Yes.

13 THE COURT: And has that been distributed to all
14 of these people?

15 MR. KOENIG: Yes. And we've continued to update
16 the form to make it even more clear over time as the first
17 round of it. You know, we would say bank's address, and
18 people would put their own address. And so the second time
19 we go through and we say, no, we really need the bank
20 address, not your address and make it as crystal clear as
21 possible for people.

22 So as I said, by the end of the week, anybody over
23 a thousand dollars will be contacted us and have the
24 opportunity to receive a wire. And even for those under a
25 thousand dollars. If you tell us you can't receive a check,

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1 we'll work to get you a wire. And those people are going to
2 get a communication from us by the end of the week saying we
3 will send you a check, here's where you can update your
4 address. And if you tell us affirmatively that you can't
5 receive a check, we will give you a wire, too. And so by
6 the end of next week, we will have attempted all wires where
7 creditors gave us correct and complete wire instructions as
8 of yesterday and we'll just ramp up from there. Okay. That
9 is the update on Fiat.

10 So again, Fiat is a little bit behind the
11 eightball as you can see from the numbers just because the
12 banking delay, number one. And we overhauled the system to
13 make sure that people that were receiving Fiat could
14 actually deposit it. Because I don't want to send a check
15 to somebody and they can't deposit it, we have to cancel the
16 check and it's a whole thing. All right.

17 One of the other areas of concern has been from
18 corporate creditors, as Your Honor may have read in some of
19 the letters. Unfortunately, our agreement with Coinbase
20 only allows us to distribute to 100 corporate creditors.
21 Those are corporations, LLCs, trusts, and other non-
22 individual entities. So if there was an LLC and the account
23 was in the name of the LLC rather than the individual
24 person. They are I'll call them a corporate creditor.

25 The universe here is small but significant. Just

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1 for Your Honor's edification, there's about 1,800 corporate
2 creditors. They have a total of \$78 million in claims.

3 Those are --

4 THE COURT: Give me that number again. How many?

5 MR. KOENIG: 1,800 corporate creditors with a
6 total of \$78 million in claims. Now, those are big numbers.
7 But in the scope of Celsius, remember that we have about
8 400,000 creditors with claims big enough to receive a
9 distribution, and they have about \$5 billion in claims. So
10 it's about a half a percent by number and a little bit more
11 than one percent by dollar amount.

12 Corporate creditors are a challenge to KYC and to
13 distribute to. For you and me, Your Honor, individuals, if
14 I want to sign up with Coinbase, I give them my driver's
15 license, I give them my Social Security number. Coinbase
16 has a vendor that they run through and they go, yeah, this
17 person is who he says he is. He's not on the banned list,
18 he's not a Russian oligarch, good to go.

19 If the corporate creditor is I Love Crypto, LLC,
20 how do you figure out who that person is? A lawyer has to
21 read the LLC agreement. Right? And that structure may be
22 several levels up and you need to make sure that the
23 ultimate beneficiary is not a Russian oligarch. And so we
24 negotiated this point --

25 THE COURT: Just so the record is clear, you've

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1 reference several times Russia. There is a regime in place
2 that prevents distributions to certain categories of
3 creditors.

4 MR. KOENIG: Thank you, Your Honor. Federal rules
5 and regulations that prevent us from sending money to
6 certain recipients who are affiliated with terrorist
7 organizations or regimes that the U.S. Government --

8 THE COURT: The sanctions regime in effect with
9 respect to Russia currently in effect restricts any
10 distributions to a fairly broad swatch of individuals or
11 entities.

12 MR. KOENIG: And that is one of the points of the
13 KYC AML process.

14 THE COURT: Okay. Just so that everybody
15 understands why in part such care has to be taken. Indeed,
16 I have another case where about \$8 million is frozen in New
17 York because it can't be returned to Russia because the
18 creditors include sanctioned parties.

19 MR. KOENIG: Interesting.

20 THE COURT: This is not a Celsius-specific
21 problem, it's a more general problem because of the
22 sanctions regime in effect. Go ahead.

23 MR. KOENIG: So again, if the creditor is an LLC,
24 a lawyer has to read the LLC agreement and then you have to
25 figure out who the ultimate beneficiaries are. And that's a

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1 complicated and expensive process. It was one of the
2 harder-fought negotiations that we had with distribution
3 agents because we have 1,800 creditors and we want to
4 distribute crypto to as many of them as possible. We landed
5 on 100 corporate creditors. For better or for worse, that
6 was the best that we could do. And there was a point in
7 time where we thought we were going to get zero. And there
8 are 1,800 people. And --

9 THE COURT: How are you going to deal with the
10 other 1,700?

11 MR. KOENIG: They are getting Fiat. And that is
12 the only thing that we can do.

13 So the plan and the disclosure statement said if
14 you cannot get cryptocurrency for any reason, including
15 because there is not a distribution agent that can send to
16 you in a fully regulatory compliant way, you will get U.S.
17 Dollars. And so we're sort of back to the conversation that
18 I had at the beginning of my presentation where if you were
19 outside of the top 100, we reserved for you Fiat because we
20 did not have a slot for you as of the effective date. And
21 I've read the letters of people that, you know, they wish
22 that we had done some other process to select. What we did
23 was we wanted to make the most out of those 100 slots. And
24 there's any number of ways you could have done it. We
25 looked at the data, and of the 1,800 creditors, half of

1 them, 900 have less than \$5,000 in claims. Those are
2 relatively small in this case. Those 900 people
3 collectively have about \$1 million of claims. That's -- and
4 again, \$78 million in claims total.

5 So I've seen the question, oh, the Debtors should
6 have run a lottery. Well, if we had run a lottery and we
7 had used one of the 100 slots on somebody who was entitled
8 to receive \$25, that doesn't seem like a very good use of
9 limited resources.

10 So what we did is we went out to the top 250
11 creditors by size and said do you want cryptocurrency or do
12 you not care. This was in January. And we said if you were
13 indifferent, please let us use the slot on somebody who
14 really cares. And there were creditors that said I don't
15 care, send cash. Those creditors may be kicking themselves
16 now with the run-up in prices, but it is what it is.

17 But it shows that as of January 16th, nobody
18 should have cared. It was --

19 THE COURT: They may have gotten their money and
20 reinvested it in Bitcoin.

21 MR. KOENIG: Yeah, exactly. They could have done
22 that. But, you know, I understand -- same as I understand
23 the frustration of the people that live in countries all
24 over the world that we can't distribute crypto to. They see
25 people that are getting more in their mind. But we are

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1 giving them what the plan requires. And I'll stand behind
2 our process as the process that we believed was going to get
3 the most use out of limited resources and to get the most
4 amount of crypto to the most amount of creditors. And it's
5 complicated and it's frustrating I'm sure, but that is what
6 it is. And so there's corporate creditors that are saying,
7 well, you should make me whole for the runup in crypto
8 prices. I sold their crypto on January 16th, and the price
9 has gone up. We can give them the Fiat, but it is what it
10 is. Okay.

11 CLERK: Sorry, Judge. We have a raised hand.

12 THE COURT: Not yet, Deanna.

13 MR. KOENIG: I'm almost done, Your Honor.

14 The convenience class, that is the subject of this
15 morning's motion, so I'll table that. And then on the
16 loans, Your Honor may recall that we had an option for
17 borrowers to sort of refinance the principal balance of
18 their loans. The main reason was tax treatment for those
19 individuals. We had about 350 individuals that elected that
20 treatment. We've been working with the lenders to refinance
21 them. We closed our first cohort, a small cohort, but it
22 was a large dollar amount actually with about six or seven
23 creditors last week. And we are doing about another hundred
24 this week. And again, there's like 350 that initially
25 elected it, and some of those people have fallen away and

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1 have decided that they don't want to do that after all. So
2 we'll give them their normal distributions.

3 Your Honor, I have been speaking for quite a
4 while. There have been quite a few letters. Is there
5 anything that -- oh, you wanted me to address the MiningCo
6 stock. Those discussions remain ongoing. It's difficult
7 for me to speak to it because that process is confidential
8 with the SEC. But Your Honor and the other parties should
9 rest assured that I do not represent the MiningCo, I
10 represent Celsius. But for my understanding, those
11 conversations are ongoing and I am hesitant to characterize
12 them for fear of breaching confidentiality. But there has
13 not been a development that is -- you know, the SEC has not
14 denied the application, nor has it granted it. Those
15 conversations remain ongoing, which, frankly, is what we
16 have expected.

17 I've been speaking for a while. Is there anything
18 Your Honor was hoping I would address before I get to the
19 motion?

20 THE COURT: No.

21 MR. KOENIG: Thank you, Your Honor.

22 THE COURT: Well, let me -- before you get to the
23 motion, I am going to allow creditors who wish to be heard
24 to speak. Just so we are clear about this process, my
25 courtroom deputy, who is not in the courtroom, she is able

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1 to see raised hands on her computer. And she will try and
2 do this in the order in which hands are raised to identify
3 people. I ask you to keep your comments brief if possible.
4 But I do want to hear what you have to say.

5 Deanna, can you indicate the first person to be
6 heard?

7 CLERK: Yes. We have Laura McNeil.

8 THE COURT: All right. Ms. McNeil?

9 MS. MCNEIL: Hi, Your Honor. Thank you for
10 allowing me to speak today. My name is Laura McNeil, and
11 this is the first court hearing I've attended, participated
12 in.

13 I've been following the bankruptcy court updates
14 all along wherein I've waited patiently throughout this
15 process. But I now feel like it's time to speak up.

16 I am here with two other creditors today, Wesley
17 Chang and Riece Keck. And we are representing a group of
18 over 80 corporate creditors found and connected with in a
19 very short amount of time over various social media
20 channels. Together, we wrote a letter with all of our names
21 and we submitted this to the Court on Monday. We encourage
22 you to read Docket Number 4719, as it outlines the great
23 inequity we are all experiencing in regards to receiving USD
24 distributions.

25 The majority of the corporate creditors we

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1 represent have retirement accounts, family trusts, wills,
2 and non-conventional corporate accounts aimed at
3 safeguarding our financial futures.

4 I personally manage nine accounts. Seven of these
5 are corporate accounts that are all self-directed IRAs which
6 are sole-operator LLCs with retirement funds. Four of these
7 accounts are for my parents' IRAs and contain their entire
8 life savings, which they have not had access to for well
9 over a year-and-a-half, largely affecting their retirement
10 and their livelihood. This has severely affected all of our
11 mental health, not knowing when, if, or how much of our
12 funds we get back. My parents worked hard for decades and
13 they put their entire net worth into these tax-sheltered
14 accounts with Celsius under the false pretenses their funds
15 would be safe.

16 The reason I am speaking to you today is to bring
17 to your attention how corporate creditors are not getting
18 equitable treatment with their distributions. The Debtor
19 selected only a hundred corporate accounts, as you heard
20 earlier, to receive their distribution through
21 cryptocurrency with Coinbase. And the other accounts were
22 told they were to receive U.S. Dollar distributions based on
23 January 16th crypto prices. However, it's been over two
24 months and most of us are still waiting to receive any
25 distribution.

1 In Chris Koenig's opening statement, he said we
2 could do what we wanted with these funds. But most of us
3 have still not even received these funds.

4 Since then, Bitcoin has gone up about 60 percent
5 and Ethereum has gone up about 40 percent in price. This is
6 a huge discrepancy from the January 16th prices. Selecting
7 100 accounts mean that those accounts got preferential
8 treatment. The debtor had a fiduciary responsibility to be
9 equitable and they breached this duty. We feel the Debtors
10 were negligent in not trying to find a distribution partner
11 to service all corporate accounts equally.

12 In Kirkland & Ellis's recent docket, filing number
13 4623, (indiscernible) that accounts are unable to receive
14 cryptocurrency distributions, and all of selected that
15 option. The Debtors could sell the liquid cryptocurrency
16 and the creditor will receive liquid cryptocurrency at
17 prevailing market price as close to the expected date of the
18 cash distribution as possible. If we as corporate creditors
19 are to be compensated with U.S. Dollars, we should also be
20 able to receive these distributions at prevailing market
21 prices as close as possible to our distribution. To pay us
22 at significantly lower January 16th crypto prices and have
23 us wait over two months is another example of how this
24 process has been inequitable. Our crypto should have never
25 been sold. However, if the Debtors were going to liquidate

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1 assets, they should have had a viable banking partner able
2 to distribute these funds as close as possible to when they
3 were sold as they specify they are doing for other
4 creditors. This is yet another example of how these
5 distributions have not been equitable across creditors. Why
6 should corporate creditors, including my parents, be treated
7 differently than any other creditor? As the U.S. justice
8 system (indiscernible), people are to be treated
9 impartially, fairly, equally, and reasonably by the law.

10 Your Honor, on behalf of myself, my parents, and a
11 growing list of over 80 corporate creditors we have
12 connected with, we are asking that you rule that was not an
13 equitable solution for corporate creditors.

14 In Chris Koenig's opening statement, he said if we
15 have it, we will give it to you. Well, we understand that
16 Kirkland & Ellis has retained \$165 million to use to remedy
17 (indiscernible) such as this. And we kindly request you
18 order these distributions to be made equitably so all
19 creditors are treated fair and equal as required by law.

20 Specifically we are requesting the Court to order
21 distributions be made in cryptocurrency. And where this is
22 not possible, corporate accountholders should receive U.S.
23 Dollars at current prevailing market cryptocurrency prices
24 as close as possible to when they are sold to match
25 treatment of other creditors receiving U.S. Dollars.

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1 For the few corporate accounts that have already
2 received U.S. Dollar distributions, we ask that they be made
3 whole based on the prevailing market rate when they received
4 their distributions just as Kirkland & Ellis have stated
5 other creditors will receive. These requests will ensure
6 all creditors are treated fair and equal.

7 Your Honor, thank you for your time and your
8 consideration.

9 THE COURT: All right, thank you. I haven't read
10 your filing, ECF 4719. I would ask that the Debtors respond
11 in writing to it on ECF and I'll determine how to take it
12 up.

13 MR. KOENIG: Understand. We will do so.

14 THE COURT: All right. Thank you, Mr. McNeil.

15 All right, Deanna, who is next?

16 CLERK: We have Wesley Chang, I believe. Wesley,
17 can you unmute?

18 MR. CHANG: Yes, hello. Thank you, Your Honor,
19 for giving us the opportunity to speak. I don't know if
20 you're able to see me on the screen.

21 THE COURT: I can't see you on the screen. I can
22 see your name on the screen. Go ahead, Mr. Chang.

23 MR. CHANG: Okay, all right. Yes, again, my name
24 is Wesley Chang. I am a (indiscernible) creditor who owns
25 (indiscernible) Earn, Loan, and corporate accounts with

1 Celsius.

2 Mr. Koenig earlier spoke about doing their best to
3 ensure equitable distribution. And I am here to
4 resoundingly dispute that claim as well as other claims that
5 he has made this morning.

6 The Debtors could not secure a distribution
7 partner. Financial issues with their banking partners,
8 logistics, complexities, miscalculation of distribution.
9 This is all documented through the dockets that were
10 submitted by all the creditors. So I just don't feel that
11 Debtors have much credibility.

12 As you heard from Ms. McNeil and as you'll hear
13 from Mr. Keck, we are here to represent all corporate
14 creditors who have been informed that we will not be getting
15 distribution in the form of cryptocurrency as we have all
16 requested.

17 According to the Docket 4623 by Kirkland & Ellis
18 on March 13th, the reason for the Debtor's inability to
19 distribute currently to corporate creditors was due to an
20 onboarding process and compliance requirement being
21 significantly more demanding for corporate creditors. And
22 we spoke about that earlier. I understand. But as Mr.
23 Koenig spoke about the AML and KYC compliance, we were all
24 subject to KYC process through Celsius even after the
25 bankruptcy effective date. But the Debtors still took it

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1 upon themselves to involve a third party distributor, which
2 obviously added more complexity to the distribution process,
3 which is where we are now a month later. We still haven't
4 gotten anything. And as a result, they were allowed to
5 enter into an agreement that limited equitable distribution
6 for those outside of top 100 accounts.

7 Docket 4220, again, filed by Kirkland & Ellis back
8 on January 11th stipulated that if you are not eligible to
9 receive a distribution in cryptocurrency due to your
10 particular circumstances, we will receive -- you will
11 receive distribution in U.S. Dollars.

12 (indiscernible) this was a huge miscalculation on
13 the Debtor's part and there should be no practical reason
14 for those corporate creditors who selected cryptocurrency as
15 the form of payment to receive cash distribution. We feel
16 that this is a clear failing on the Debtor's commitment to
17 ensure equitable distribution.

18 The topic of equitable distribution naturally took
19 the front stage due to the spike in Bitcoin and Ethereum
20 prices as of recent. But such headline could have been
21 avoided had the Debtors at their own discretion, again,
22 could have exercised fair and equitable judgement by
23 committing (indiscernible) deficiency.

24 And Docket 4319, filed on February 15th, the
25 Debtors state U.S. Dollar distribution will be distributed as

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1 soon as reasonably possible after the effective date of the
2 plan. Due to what Debtors classified as a logistical
3 complexity, as soon as reasonably possible didn't
4 materialize. So even if for some reason distribution must
5 be made in cash, we ask the Court to establish a rule that
6 cash wire transfer distributions be made within five
7 business days from the new effective date that should be
8 established, or cash value at the time of distribution be
9 within five percent of the Bitcoin and Ethereum value. We
10 have to have that type of rule to be (indiscernible).
11 Otherwise, we'll be back in the court arguing this point.

12 So in closing, I want to reiterate Ms. McNeil
13 briefly -- what she touched on earlier. The corporate
14 accounts are mostly owned by single-member LLCs with IRA and
15 retirement funds of her parents and her relatives. And that
16 is -- and that goes for most of the corporate creditors,
17 including mine.

18 So we ask Your Honor to be fair in your
19 (indiscernible) and consideration of those who really need a
20 fair treatment. Your Honor, please have mercy on all of us
21 and grant us the equitable distribution we all deserve.
22 Thank you for your time.

23 THE COURT: Thank you, Mr. Chang.

24 Let me hear next -- Deanna, who is next?

25 CLERK: We have Riece Keck.

1 THE COURT: All right.

2 CLERK: Apologies if I got the wrong name.

3 THE COURT: Thank you. Mr. Keck, go ahead.

4 MR. KECK: Hello, Your Honor. My name is Riece

5 Keck and I am a corporate creditor based here in the United

6 States. For context, I have a claim with Celsius of

7 approximately \$305,000.

8 I am here today to raise concerns about the
9 inequitable treatment of corporate creditors in the Celsius
10 bankruptcy case. I am for context one of those who is
11 scheduled to receive distributions in U.S. Dollars.
12 Although I did originally request cryptocurrency, I was
13 initially somewhat indifferent due to the similar Bitcoin
14 prices on January 16th and the effective date.

15 However, the significant delay in receiving funds
16 and the recent appreciation of Bitcoin and Ethereum have
17 materially impacted my distribution. If paid in
18 cryptocurrency, my claim would currently be worth
19 approximately \$82,000 more than the U.S. distribution at
20 current prices.

21 There are three primary issues that I want to
22 raise with treatment of corporate creditors. First, as
23 we've discussed, is that only 100 corporate creditors could
24 receive cryptocurrency while the rest receive U.S. Dollars.

25 Now, I fully understand the reasoning for picking

1 U.S. Dollars, as Mr. Koenig mentioned, in the instance of
2 regulatory or compliance issues. However, increased
3 administrative burden is not a valid reason for unequal
4 treatment. Debtors should have found an additional
5 distribution partner capable of handling the (indiscernible)
6 corporate creditors.

7 Secondly, as Mr. Koenig mentioned, the funds were
8 liquidated on January 16th. However, this was done without
9 a proper banking partner in place, which has caused delays
10 and prevented creditors from benefiting from recent
11 cryptocurrency appreciation. And as Mr. Koenig mentioned,
12 only 18 percent of wires have gone out.

13 Your Honor briefly mentioned earlier that those
14 corporate creditors could have reinvested, which I actually
15 did intend to do, as I anticipated a wire shortly after the
16 effective date. However, as of today, I still have yet to
17 receive anything. So had things gone out on time, I could
18 have done that. But the Debtors failed to accommodate that.

19 And then third, individual creditors who are
20 unable to receive cryptocurrency through Coinbase and PayPal
21 are assured that their crypto will be sold at current prices
22 while corporate creditors are not afforded the same
23 treatment.

24 So, Your Honor, I believe these issues violate
25 fundamental principles of bankruptcy law. First, in unfair

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1 discrimination, and I believe the Debtors have unfairly
2 discriminated against similarly-situated creditors by
3 treating corporate creditors differently.

4 Secondly, breach of fiduciary duty. The Debtors
5 breached their fiduciary duties by failing to secure a
6 distribution partner capable of servicing all corporate
7 accounts equitably.

8 Third, inconsistent treatment. The Debtor's own
9 statements indicate that creditors unable to receive
10 cryptocurrency, individual creditors, will receive proceeds
11 at prevailing market prices, but corporate creditors are
12 forced to accept outdated prices.

13 And fourth, unnecessary liquidation. The Debtors
14 should not have liquidated cryptocurrency assets prematurely
15 without a viable banking partner, which has caused harm to
16 corporate creditors.

17 Now, I understand that those distributions -- or
18 those assets were sold on January 16th. However, as a
19 previous creditor mentioned, Kirkland & Ellis has withheld
20 back \$165 million to ensure equal and fair treatment of all
21 creditors. And I ask that you rule fairly to those of us
22 who have been unable to receive cryptocurrency. Thank you
23 for your time.

24 THE COURT: Thank you. Deanna, next?

25 CLERK: Next is George Stanbury.

1 THE COURT: All right. Mr. Stanbury?

2 MR. STANBURY: Good morning, Your Honor. Thank
3 you very much for all of your patience and effort in this
4 (indiscernible). I have simply two questions to ask. The
5 first, how did you value (indiscernible) value our U.S.
6 Dollar (indiscernible) for purposes of the distribution.

7 And my second question is since any distribution
8 (indiscernible) upon receiving a distribution
9 (indiscernible), why didn't I and others ever receive the
10 distribution letter?

11 THE COURT: I'm sorry, Mr. Stanbury, I'm not sure
12 I understood your point.

13 MR. KOENIG: Your Honor, I think I heard the
14 second point, which was --

15 THE COURT: You have to identify yourself.

16 MR. KOENIG: I'm sorry. Chris Koenig from
17 Kirkland for Celsius.

18 I think what Mr. Stanbury said was he has not
19 received a PayPal code yet. And he was asking why.

20 Mr. Stanbury, if you -- we'll refile on the docket
21 tonight the FAQ with all of the different emails and
22 ticketing systems. But if you email me, my email is on all
23 of Celsius' filings, Chris.Koenig@Kirkland.com. If you
24 email me your question, we will come back to you promptly.
25 And of course you are free to address the judge. But if

1 your question is why haven't I received my code yet, I
2 standing here don't know that, and I would have to check my
3 records.

4 THE COURT: Go ahead, Mr. Stanbury, if you want to
5 say anything else.

6 MR. STANBURY: The first question was how did you
7 value the price or the value of an alt coin such as
8 (indiscernible) for purposes of distribution.

9 MR. KOENIG: Right. So what happened, Mr.
10 Stanbury, is there was a table --

11 THE COURT: And it's Mr. Koenig who is speaking.
12 Go ahead.

13 MR. KOENIG: I'm sorry. Mr. Koenig speaking to
14 Mr. Stanbury.

15 Mr. Stanbury, the plan provided for a table that
16 would be set for a conversion of different types of
17 cryptocurrency into each other. But if you had a claim for
18 ADA, that claim was set on the petition date pursuant to the
19 Bankruptcy Code. And so whatever the price of ADA was on
20 that date is the claim that you have. And then we
21 distributed to you Bitcoin and Ethereum at prices that were
22 as of January 16th. So if your question is what was the
23 price of ADA, the price of ADA was the price that you had in
24 your account. That's your claim against Celsius. That was
25 set on the petition date of July 13th, 2022. And then you

1 got Bitcoin and Ethereum that -- let's just say that the
2 value of your account as of July 13th, 2022 was \$10,000.
3 The plan provided that you would get Bitcoin and Ethereum
4 valued as of January 16th, 2024. And it's about 57, 58
5 percent as the initial distribution. So if you have a
6 \$10,000 claim, you've got Bitcoin and Ethereum that as of
7 January 16 was worth \$57,000 or \$58,000. And then what the
8 Bitcoin and Ethereum was worth sort of goes up and down with
9 the market.

10 Does that help answer your question?

11 MR. STANBURY: Yes, thank you.

12 MR. KOENIG: You're very welcome. If you have
13 anything else, as I said, please email me.

14 THE COURT: All right. Deanna, next?

15 CLERK: Christian Funck.

16 THE COURT: I'm sorry, say it again, Deanna?

17 CLERK: The name is Christian Funck, F-u-n-c-k.

18 MR. FUNCK: Yes, hello. Can you hear me?

19 THE COURT: Yes, I can. Go ahead, Mr. Funck.

20 MR. FUNCK: Your Honor, thank you for your time.

21 I'm calling out of Europe. I am calling from one of the
22 creditor class, the Borrow class. And we sent a letter
23 yesterday, and it's about the unfair discrimination between
24 the actual creditor class, but also within the actual credit
25 class itself.

1 In our case, in the Borrow class, it was mentioned
2 by Mr. Koenig that refinancing is only for tax reasons.
3 That is not correct. Many people are refinancing because
4 they actually cannot pay back the loan themselves but they
5 don't want to lose their crypto. But the situation is as
6 follows. Some within the credit class or the Borrow class,
7 they have been able to pay off the loan or settle the loan
8 (indiscernible) prices whilst we that want to refinance, our
9 loans cannot (indiscernible) prices (indiscernible) have to
10 do it at market prices. And at the moment that would give
11 us around, you know, almost half of the amount of coins back
12 than other people in our same class that's been able to
13 receive.

14 Therefore, we think that it's unfair
15 discrimination and we would like to (indiscernible) funds
16 set aside to remedy that or to at least (indiscernible)
17 refinance (indiscernible) excess effective date pricing just
18 like all the others.

19 And finally, if you allow me to comment, also what
20 we try to understand is that our assets have in the meantime
21 since the petition date (indiscernible) almost risen by 370
22 percent. The question is where does that upside get to or
23 go to.

24 Thank you for your time.

25 THE COURT: Thank you.

1 MR. KOENIG: Your Honor, I'm happy to address --
2 Chris Koenig, Kirkland.

3 So what Mr. Funck is talking about is under the
4 plan, borrowers had three options. The default option was
5 setoff. That means that they no longer owe the loan to
6 Celsius. It is forgiven. And in exchange, we will reduce
7 the collateral that we were holding for them in an equal
8 amount. So they get a hundred percent recovery because they
9 owed us -- if they had a million dollar loan, they owed us a
10 million dollars, and we are forgiving that loan. And in
11 exchange, we will reduce their account effectively by a
12 million dollars.

13 That is the default treatment, and that is the
14 treatment that overwhelming borrowers selected because that
15 was the simple treatment and that's what made the most
16 sense.

17 Your Honor ruled as part of confirmation the
18 collateral belongs to Celsius. It does not belong to the
19 borrowers. And the borrowers had a claim, an unsecured
20 claim for the difference. They had a setoff right, and then
21 they had a claim for the difference. And what we did to
22 accommodate borrowers who had a negative tax consequence is
23 setoff is a taxable transaction. If they repaid their loan
24 and got their collateral back, that would not be a taxable
25 transaction. So what we did in the plan was we allowed them

1 to repay their loan if they wanted. They would not get all
2 of the collateral back, because Your Honor ruled it didn't
3 belong. But what we would do is they could buy a like
4 amount of their collateral back. So if they had a million
5 dollar loan, they had three million dollars of collateral.
6 They could repay the million dollars. We would give them
7 their collateral back in an equal amount. A million dollars
8 of Bitcoin or Ethereum or whatever it was, and that will
9 help their tax treatment. I mean, I'm not giving tax
10 advice, but we think that that should hopefully help their
11 tax treatment. But it's at then-prevailing market prices.
12 It was going to be neutral to the estate. And if they
13 preferred it, we were happy to facilitate it. So there were
14 to options. If you could -- if you didn't need to refinance
15 your loan because you could come up with a million dollars,
16 we had a process that before the effective date there was a
17 week-long period where you sent in a wire and we sent you
18 back your equivalent amount of Bitcoin or Ethereum.

19 So I'm using rough numbers. But if you did that,
20 you bought Bitcoin at \$43,000. The plan also provided that
21 if you didn't have the cash and wanted to finance the cash
22 through a third-party lender -- not Celsius -- the Debtors
23 would work -- I think the plan says commercially-reasonable
24 efforts to work with the lenders after the effective date to
25 come up with a refinancing. That process is complicated.

1 The borrower has to negotiate with the lender, has to sign
2 documents, has to sign documents with us directing us to
3 give their distribution to the lender, who has a new loan.

4 So a borrower could take out a new million-dollar
5 loan with, you know, lender. Lender sends us the money, we
6 send a million dollars of Bitcoin or Ethereum to lender as
7 well as the post-setoff amount to which the borrower is
8 entitled for the overage, the difference between the \$3
9 million in collateral and the \$1 million loan. And then we
10 have no further relationship with the borrower. The
11 borrower has a new relationship with the lender and has to
12 pay a million dollars to the lender to get that million
13 dollars in collateral plus the claim on the two million
14 dollar delta.

15 So what Mr. Funck is arguing is he wishes that he
16 could have bought Bitcoin at \$43,000. And it has taken time
17 for us to refinance because it is a complicated process.
18 And he wishes that he could have bought Bitcoin at \$43,000
19 like everybody else. And that is -- I mean, the plan has
20 provided that it is going to be at prevailing market prices
21 so that it is net-neutral to the estate and to other
22 creditors. Allowing Mr. Funck to buy bitcoin now at \$43,000
23 when the market price of Bitcoin is \$65,000 I would argue is
24 inequitable, and anybody should make that choice. But I
25 shouldn't advocate, but that is his argument.

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1 THE COURT: All right. Here's what I would like
2 you to do, Mr. Koenig. We can order the transcript after
3 this hearing. Rather than have separate filings as to each
4 of the questions you've gotten, you can do a single filing.
5 I think you ought to try as best you can to address these
6 issues. I think I understand.

7 MR. KOENIG: Okay.

8 THE COURT: Thank you, Mr. Funck.

9 Deanna, who is next?

10 CLERK: We have Mark Casey Miller.

11 THE COURT: All right, Mr. Miller, go ahead.

12 MR. MILLER: Good morning, Your Honor, Mr. Koenig.
13 Thank you guys for your time this morning.

14 I am one of the individual creditors in the
15 Celsius distributions. I was -- I am a U.S. resident here
16 out of Tennessee set to receive my crypto via PayPal/Venmo.
17 I am one of the ones -- I'm kind of representing a group of
18 about 60 of us that are in the same predicament that though
19 we have -- I've had a PayPal account for 21 years. I've
20 been an excellent PayPal customer. Verified KYC. Attempted
21 to claim codes, got an error, some process error on the back
22 end. PayPal said I'm a hundred percent perfectly fine, KYC.
23 Codes don't work. But then I got the email a day later
24 saying important, your claim cannot be distributed by PayPal
25 or Venmo, please wait for further instructions.

1 Well, it's been about 36 days now and we haven't
2 received any information since then other than we had a
3 docket update -- I believe Docket Number 4623 that was filed
4 on the March 14th. Did note it had a blurb in the bottom
5 that noted as a reminder if for any reason neither PayPal
6 nor Venmo can service your claim distribution, you will be
7 notified that your distribution cannot be serviced through
8 PayPal or Venmo and the post-effective date debtors will
9 attempt to make your distribution via Coinbase.

10 So we are at this stage now that we have not
11 received any official information outside of seeing this in
12 this docket five days ago. So I've submitted multiple
13 tickets to Stretto along with the other ones in this
14 predicament. We all have gotten the same copy and pasted
15 response, which doesn't give us any new information. And
16 we've even tried to reach out to Celsius before they shut
17 down the 29th to verify, okay, do we have our stuff in place
18 to receive our Coinbase distributions. And we've noticed
19 now that you -- now that the Debtors are starting to make
20 attempts to distribute Coinbase, the second attempts for the
21 Coinbase users with KYC issues, we're wondering are those of
22 us that are unable to be serviced by PayPal that are being
23 moved to Coinbase, when are we going to start seeing our
24 distribution attempts through Coinbase since we are being
25 moved to another distribution agent?

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1 THE COURT: Thank you, Mr. Miller.

2 MR. MILLER: And we're kind of just -- yeah.

3 MR. KOENIG: Mr. Miller, it's Chris Koenig. I
4 understand the question entirely and I have what I hope is a
5 helpful response.

6 So we are in the process of migrating the people
7 that can't get distributions from PayPal to Coinbase,
8 Coinbase is going to be reattempting distributions I would
9 say every two weeks. And our plan is to migrate people
10 PayPal to Coinbase on the off week. So I would hope in the
11 next couple of weeks you're going to get your distribution
12 through Coinbase. That would be my expectation. I mean, I
13 haven't looked at your particular claim. I don't know your
14 particular situation. But that is our plan for banned users
15 from PayPal generally, is we're going to be moving them to
16 Coinbase promptly in the next couple of weeks. And I hope
17 you get your distribution soon.

18 THE COURT: Deanna, next.

19 CLERK: Artur Abreu, A-r-t-u-r is the first name.

20 THE COURT: All right. Mr. Abreu, go ahead.

21 MR. ABREU: Pro se creditor. Can you hear me?

22 THE COURT: Go ahead.

23 MR. ABREU: Can you hear me?

24 THE COURT: Yes, we can hear you fine.

25 MR. ABREU: Okay. So I just wanted to add my

1 personal experience to the matters that Chris Koenig was
2 mentioning about distributions. I have two other family
3 creditors who were successful and a third. We are
4 international, so we are doing the KYC on the Coinbase side.

5 So this third family member was required to
6 provide a source of income. And I -- we cannot provide this
7 because it's (indiscernible) retirement. But I just wanted
8 to highlight that the claim here is still under \$5,000. So
9 I'm kind of frustrated because I'm trying to -- I already
10 sent back (indiscernible) even the mortgage, and we still
11 are having issues. So I just want to highlight for the
12 Court that some issues with KYC is also -- is coming from
13 the Coinbase side because they are trying to have a source
14 of fund. And in this particular case, there is no -- there
15 is no future -- and this family member doesn't intend to
16 keep on Coinbase. Just wants to sell and rescue all the
17 funds here. So I just want to highlight this.

18 I know the judge usually just have (indiscernible)
19 pro se creditors about the motion about the (indiscernible)
20 Earn creditors that were (indiscernible) and was not given
21 time. Many creditors contacted me. I think --

22 THE COURT: Mr. Abreu, we have a separate motion
23 on the docket.

24 MR. ABREU: Okay.

25 THE COURT: That hope -- today, today that --

1 MR. ABREU: Yeah, yeah, yeah.

2 THE COURT: -- to deal with this issue about the
3 convenience class. So we'll take that up when we finish
4 this portion of the hearing.

5 MR. ABREU: Okay. Thank you, Judge. I just
6 wanted to bring that issue (indiscernible). Thank you.

7 THE COURT: Thank you. All right, Deanna, next.

8 CLERK: Rebecca Gallagher.

9 THE COURT: Ms. Gallagher, go ahead.

10 MS. GALLAGHER: Yes, Your Honor. I am in the
11 situation where I have received my Ethereum code and claimed
12 it on PayPal but still have not received a BTC code. So I
13 would like someone to assure me today that the code is
14 coming and I will get those 2.069 BTC. And then I can wait
15 patiently. But the thought that I might not be getting the
16 code at all is really very, very distressing.

17 THE COURT: All right. Let's see. Mr. Koenig, go
18 ahead.

19 MR. KOENIG: Ms. Gallagher, it's Mr. Koenig. I've
20 heard this from some people, that they received one code or
21 not the other for whatever reason. There were a couple of
22 creditors that could elect to receive only Bitcoin or
23 Ethereum. We offered that option to people with very large
24 claims. Assuming you did not do that, the Bitcoin code is
25 coming. We've heard this from a number of people that for

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1 whatever reason their email flagged one of them as spam or
2 whatever. So we are resending all of the outstanding codes.
3 And I hope that you receive it soon. It should happen in
4 the next week or so. If you still haven't received it,
5 please feel free to contact me after a week or so and I'll
6 look into it more for you. But we are aware of the issue.
7 We're trying to push out all of the claim codes. It may
8 take another week or two, but we're working on it. It is
9 coming, I assure you. It is coming. And again, assuming
10 that you didn't opt for a hundred percent ETH, your Bitcoin
11 code is out there and we'll track it down for you.

12 THE COURT: All right. Deanna, next.

13 MS. GALLAGHER: I opted to 75 percent ETH and 25
14 percent Bitcoin. So does that mean I'm definitely going to
15 get the 25 percent?

16 MR. KOENIG: You should. I obviously need to look
17 at your particularized claim. But yes, we'll look at it.

18 THE COURT: Thank you. Deanna?

19 MS. GALLAGHER: Okay. Thank you, Your Honor.

20 THE COURT: Thank you, Ms. Gallagher.

21 CLERK: We have Ezra Vazquez-D'Amico.

22 MR. VAZQUEZ-D'AMICO: Thank you. Can you hear me,
23 Your Honor?

24 THE COURT: Yes, I can. Go ahead, Mr. D'Amico.

25 MR. VAZQUEZ-D'AMICO: Thank you. I am here

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1 representing myself. I'm owner of a single-member LLC that
2 manages my retirement. I'm also a Loans creditor as well as
3 a regular Celsius creditor. But I wanted to second
4 everything that's been said by the corporate creditor class
5 (indiscernible) and add in addition that I've talked to a
6 number of corporate creditors like myself who do have
7 Coinbase accounts, corporate accounts for their LLC. But we
8 were never given the option to receive the funds in
9 cryptocurrency. So I just wanted to add that fact, that
10 while Mr. Koenig said that Coinbase had pointed out that it
11 would be to difficult to onboard as many corporate creditors
12 as might have wanted to, some of us were already onboarded
13 and were not treated equitably that way. Thank you, Your
14 Honor.

15 THE COURT: Thank you, Mr. D'Amico.

16 MR. KOENIG: We will address that in our written
17 response.

18 THE COURT: Okay. Next, Deanna?

19 CLERK: Jin Wu.

20 MS. WU: Thank you, Your Honor, for your time. I
21 am an individual creditor with suspended accounts due to the
22 fact that I have more than one account with Celsius. I
23 appreciate the fact that the Debtors are working through the
24 suspended accounts to try (indiscernible) distributions. My
25 questions are the following.

1 First, is there an approximate timeline for
2 suspended users to receive our distribution? The second is
3 are there foreseeable issues that would prevent suspended
4 users from receiving these distributions? In other words,
5 what kinds of suspended users are likely not to receive
6 distributions and what kinds will receive distributions?
7 And thirdly, I just want to make sure that our distributions
8 won't be distributed in kind rather than in U.S. Dollars.
9 Thank you.

10 MR. KOENIG: Thank you. It's Chris Koenig. So
11 I'll take you in turn.

12 So just for Your Honor's edification, we had a
13 number of users that were suspended on the Celsius platform
14 for whatever reason. Many of them had multiple accounts,
15 which was a technical breach of the terms of service.

16 As we were starting distributions, we realized
17 that we had suspended these accounts and that it wasn't
18 proper to keep them suspended for what amounts to a
19 technical violation of the terms of service. So we decided
20 to unsuspend those users and process them for distributions.

21 That is a manual process. I can't just flip a
22 switch and send all of those people. We need to go through
23 and manually enable those users for distributions. We are
24 in the process of doing it. I can't give you a particular
25 day. I hope that in the next couple of weeks almost all of

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1 them are enabled for distributions. I don't expect any
2 issues particularized to the formerly-suspended users. They
3 will be routed for distribution just like everybody else.

4 Now, if you are a corporate creditor and you were
5 suspended, you may get Fiat for the same reason that all the
6 other corporate creditors are going to get Fiat. So I can't
7 guarantee you that you will receive cryptocurrency. But if
8 you are otherwise able to receive cryptocurrency, you will
9 receive it.

10 THE COURT: Ms. Wu had described herself as an
11 individual account.

12 MR. KOENIG: Then it sounds to me if she lives in
13 the United States and she is an individual, I would expect
14 that she would get cryptocurrency unless she's banned on
15 PayPal and Coinbase or something for that example. But I
16 would expect that you would receive crypto. And we are
17 unsuspending your accounts in the next few weeks. We will,
18 once unsuspended, you know, send them to Coinbase and PayPal
19 for distribution. You know, that may take a little bit of
20 time to work its way through their process. But, you know,
21 I am hopeful that in the next month, month-and-a-half
22 hopefully it's in your account.

23 THE COURT: Deanna, next. Thank you, Mr. Koenig.
24 Deanna, next.

25 CLERK: Janell Eckhardt.

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1 MS. ECKHARDT: Hi. I am Janell Eckhardt. I am a
2 U.S. Earn Creditor and I have a few questions or comments,
3 actually.

4 So I wanted to see if Kirkland could disclose who
5 else they considered for the corporate and international
6 distribution partner. PayPal is actually bigger
7 internationally than Coinbase. Did they consider anybody
8 else?

9 Another one is why was the app shut down early, 20
10 days versus the 90 days they originally talked about. Why
11 couldn't corporate use the app? They were already KYC
12 already. So why couldn't they use that instead?

13 Kirkland liquidated on January 16th, but they
14 didn't notify corporate accounts until January 19th
15 (indiscernible) January 23rd deadline. And if distribution
16 is U.S. Dollars, do those creditors still get back stock? I
17 don't think that's been addressed yet. And then finally
18 (indiscernible) should get -- they really should get a paper
19 notification. Some don't get emails and it goes into their
20 spam. So (indiscernible) notifications going to creditors,
21 but they're only getting email. So I would request that
22 they also get paper notifications. Thank you, Your Honor.

23 THE COURT: Thank you, Ms. Eckhardt.

24 MR. KOENIG: Thank you. Again, it's Chris Koenig.
25 So I wrote down I think many of your questions. It was why

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1 Coinbase and PayPal and not another distribution agent. I'm
2 not going to disclose our discussions with other
3 distribution agents, but we did go through the process. I
4 mean, Coinbase was to my knowledge the only one who was
5 willing to service corporate accounts at all.

6 You asked why we shut down the app early, 30 days
7 versus 90 days. It was 90 days after the confirmation
8 order, not 90 days after the effective date. So what we did
9 is the confirmation order enabled custody withdrawals
10 immediately and enabled them on the app and the confirmation
11 order said that we has -- that people had 90 days from that
12 date to claim a distribution. And that was because all of
13 those distributions were through the app and were fairly
14 simple. And the Court had ruled that custody was their
15 property. So we were comfortable from a regulatory
16 perspective that we were not distributing securities in
17 violation of the securities laws. And we had talked to the
18 regulators about that. If we were to make a distribution
19 for something other than custody, I think the regulators
20 would have had something to say. So that's the question of
21 why not just let the corporate creditors take something off
22 the platform. I don't represent the SEC, but I suspect that
23 they would have had something to say if I argued that.

24 We got them comfortable that we were just -- if we
25 were returning somebody's actual property to them, that

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1 might be different than making a distribution on a claim in
2 a bankruptcy.

3 But you said that we shut it down early. It was
4 90 days from the confirmation order, which I think was
5 November 9th. We actually extended that out until the end
6 of February because we wanted to give people even more time.
7 It wasn't 30 days from the effective date, it was 90 days
8 from the confirmation date.

9 And then I think you said something about paper
10 notifications. We're certainly evaluating that. And it's
11 obviously expensive to send paper notices as well. As we go
12 through the process, if it seems that people aren't getting
13 our emails, we will send them paper notices. But paper
14 notices can be lost and discarded just like emails can be
15 lost or discarded. But we're going through the process.

16 THE COURT: Deanna, next?

17 CLERK: WE have Tyson Foianini. Do you want me to
18 spell the last name?

19 THE COURT: Yes, please.

20 CLERK: F-o-i-a-n-i-n-i.

21 THE COURT: All right. Please go ahead.

22 MR. FOIANINI: Hi, Your Honor. thank you for
23 allowing me to speak today. My name is Tyson Foianini and I
24 fall under Class 6A, General Custody Claims. I'm on the
25 call today because of Document Number 4372 that I received

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1 via email on March 2nd, 2024. In this document, it is my
2 understanding that the creditors may elect to reverse their
3 convenience claim elections if they mistakenly voted to opt
4 in the convenience claim election.

5 For the record, I rejected the plan in August
6 2023, not fully understanding the consequences of my vote
7 and now fall under Class 6A, General Custody Claims,
8 Treatment B.

9 From my understanding, my crypto will be
10 transferred to a segregated walled held by the post-
11 effective date Debtors and shall be subject to an all
12 avoidance and (indiscernible) claims with respect to such
13 allowed general custody claim.

14 So my question is as follows. I would like to
15 know if I can reverse my vote and fall under Class 6A,
16 General Custody Claim, Treatment A, where I would receive
17 72.5 percent of my cryptocurrency.

18 THE COURT: Mr. Koenig?

19 MR. KOENIG: Yes. Again, Chris Koenig. So we
20 represent Celsius and the post-effective date debtors.
21 There was a litigation administrator who was appointed to
22 pursue the preference issues. If you email me, Mr. Foianini
23 -- and again, my email is on all of the Celsius filings -- I
24 will put you in touch with that person who can address that
25 question. But I understand -- your question is can I make

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1 the election that was offered to me before. I can't speak
2 to that. But if you contact -- I will give you their
3 contact and I hope that you get a response very soon. I
4 understand your question. We'll put you in touch.

5 MR. FOIANINI: And where did you say I could get
6 your email from?

7 MR. KOENIG: It's on any of the Celsius filings on
8 the court docket. The Kirkland signature block has my name.
9 It's Chris.Koenig@Kirkland.com. But it's on any of the
10 Celsius filings.

11 MR. FOIANINI: Thank you, Mr. Koenig.

12 THE COURT: Thank you. All right. Deanna, next?

13 CLERK: The next person that has not spoken is Don
14 Smith.

15 THE COURT: I'm only going to hear people once.

16 Mr. Smith?

17 MR. SMITH: yes. Your Honor, thank you for
18 allowing me to speak. My name is Don Smith. I am a Loan
19 creditor. And on February 23rd, I emailed Mr. Koenig, Ms.
20 Golic, and the Celsius Creditor Answers Email address
21 established by Kirkland & Ellis advising them I decided to
22 change to the BTC ETH setoff treatment at effective date
23 prices. Mr. Koenig promptly confirmed my setoff selection
24 that day.

25 Nearly a month has passed, and I have not received

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1 a crypto distribution. My PayPal account is operational
2 because I received and retrieved a small Earn claim a few
3 months ago. Can Mr. Koenig please address when loan setoff
4 creditors will receive their BTC ETH PayPal claim codes?
5 Thank you.

6 MR. KOENIG: Thanks, Mr. Smith. It's Mr. Koenig.
7 Look, when you reversed your election, you went back to the
8 setoff. WE processed you for distribution. I haven't
9 looked at your particular claim. We're sending claims to
10 PayPal and Coinbase on a regular basis.

11 You've already been in touch with me it sounds
12 like via email. If you just bump up that thread, I'll check
13 into it for you and see what the status is. My guess is you
14 are somewhere in the process. But this process is not
15 instantaneous.

16 But also for anybody on the line, if you have
17 reached out to us and you have individualized questions, you
18 should just feel free to email me or the other contacts that
19 are on the FAQs at any point. We do our best to get back to
20 people as promptly as we can. It's not always
21 instantaneous.

22 THE COURT: Thank you.

23 MR. SMITH: Okay. I will send that email right
24 after the hearing. Thank you.

25 MR. KOENIG: Thanks. We'll check into it for you.

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1 THE COURT: Thank you, Mr. Smith. Thank you, Mr.
2 Koenig.

3 Next, Deanna?

4 CLERK: Ralph Burton.

5 THE COURT: All right. Mr. Burton? Mr. Burton,
6 do you wish to be heard?

7 CLERK: Mr. Burton, I see you are unmuted. Can
8 you speak? Try speaking. Maybe it's a problem with your
9 microphone.

10 MR. KOENIG: Perhaps your microphone is muted
11 actually on your end with a button or something.

12 CLERK: Yeah. It's unmuted on Zoom.

13 MR. KOENIG: Right. Sometimes there is the double
14 mute. I'm guilty of that myself sometimes.

15 THE COURT: Deanna, call the next one. If Mr.
16 Burton comes through, we will listen to him after. But
17 let's go on to the next person.

18 CLERK: The next person already spoke. It's
19 Christian Funck.

20 THE COURT: No. Only speaking to people once.
21 Are there any others who haven't been heard, Deanna?

22 CLERK: No.

23 THE COURT: All right. Ralph Burton, if you want
24 to be heard, unmute your line and we'll be happy to listen
25 to you. All right.

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1 Everyone who wanted to be heard has been heard by
2 the Court. Do you want to move on to the remaining item on
3 the agenda?

4 MR. KOENIG: I do. Just really quickly, Mr.
5 Hershey from White & Case represents the litigation
6 administrator. And I understand from him that he just had a
7 brief update he wanted to provide to the Court on their
8 process working through the preference issues. So with your
9 indulgence, we can turn it over to Mr. Hershey.

10 THE COURT: Mr. Hershey?

11 MR. HERSHLEY: Thank you, Your Honor. Just so Your
12 Honor is aware, my video apparently has been stopped and I
13 can't turn it on. I don't need to turn it on unless Your
14 Honor wants me to.

15 THE COURT: Just go ahead.

16 MR. HERSHLEY: Oh, there we go.

17 THE COURT: There you go. Go ahead.

18 MR. HERSHLEY: Thank you, y h. It's been turned on
19 now. Thank you very much, Your Honor.

20 Good morning, Your Honor. Sam Hershey from White
21 & Case for the Litigation Oversight Committee or LOC for
22 short.

23 Listening to Mr. Koenig's presentation, I have to
24 admit that some relief that the LOC is now responsible for
25 handling distributions, though the LOC is certainly working

1 to stay updated on the distribution process and we
2 appreciate very much Mr. Koenig's update today.

3 Your Honor, I believe this is the first time the
4 LOC has appeared before you. So with Your Honor's
5 permission, I would like to take just a few minutes to
6 update the Court regarding the LOC's work so far including
7 (indiscernible) regarding the preference litigation that the
8 LOC has been charged with overseeing.

9 As Your Honor is aware, the LOC was formed about
10 six weeks ago on the effective date of the Debtor's planned
11 reorganization. The purpose of the LOC, a lot of the
12 litigation administrators working under supervision, is to
13 increase account holders' recoveries by investigating and
14 pursuing claims and causes of action belonging to Celsius.

15 The LOC and its professionals have begun that work
16 in earnest and will continue to keep Your Honor informed as
17 that work progresses.

18 One category of claims that the LOC has been
19 charged with overseeing is the approximately \$2.5 billion
20 preference claims against accountholders who withdrew assets
21 from Celsius during the 90 days leading up to the petition
22 date. This is a very small set of individuals. About two
23 percent of active users.

24 Notably, this group does not include
25 accountholders with preference exposure under \$100,000 who

1 were released under the plan or preference exposure resolved
2 through the custody settlement.

3 I am pleased to announce that this morning the LOC
4 released a settlement offer to all customers with unresolved
5 preference exposure, specifically the LOC is giving
6 customers the opportunity to settle their preference
7 exposure at 13.75 percent of the value of the asset at the
8 time they were withdrawn during the preference period.

9 Additionally, this offer allows customers to
10 settle their preference exposure in cash rather than by
11 returning the assets that were withdrawn, including many
12 assets which have significantly grown in value.

13 I want to note that this offer has been designed
14 as a limited-time opportunity to encourage parties to settle
15 before the LOC incurs the time and expense of litigation.
16 The LOC would encourage everyone to settle the preference
17 exposure quickly.

18 Accountholders who are eligible for this offer
19 will be receiving an email with further details including
20 how to accept the offer and get payment. Indeed, many
21 accountholders likely already have received such emails.

22 If accountholders have questions regarding the
23 settlement offer, they can visit the Stretto website where
24 they will find a new tab at the top of the page that will
25 route them to information regarding the settlement offer, or

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1 they can visit the following URL;

2 Cases.Stretto.com/CelsiusLOC.

3 Additionally, I will note that the LOC has posted
4 an open letter to accountholders regarding the settlement
5 process on its X or Twitter account and will continue to
6 post further updates throughout this process.

7 That is an update for today. The LOC looks
8 forward to providing further updates to Your Honor as its
9 work progresses. Thank you very much.

10 THE COURT: Mr. Hershey, what is the -- you said
11 it is an offer for a limited time. When is the deadline?

12 MR. HERSHLEY: April 15th, Your Honor.

13 THE COURT: April 15th, 2024 is the deadline for
14 accepting --

15 MR. HERSHLEY: Yes, Your Honor. Exactly right.
16 April 15th, 2024. Yes.

17 THE COURT: And with respect to anyone who does
18 not accept the offer and who has a potential exposure of
19 over the \$100,000, has the Committee made the decision to go
20 forward with litigation as to those claims?

21 MR. HERSHLEY: So yes, Your Honor. And the LOC
22 intends to --

23 THE COURT: People are entitled to know that
24 here's the offer, but what happens if they don't accept it?

25 MR. HERSHLEY: Yes, Your Honor. I appreciate you

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1 raising that. We addressed that in the communication to
2 creditors this morning. And Your Honor is absolutely right,
3 preference exposure over \$100,000 is not settled through the
4 settlement process, the Litigation Oversight Committee does
5 intend to pursue litigation to reclaim that value for
6 unsecured creditors.

7 THE COURT: And what is the number of creditors
8 who faced the preference exposure of over \$100,000 as of
9 now?

10 MR. HERSHLEY: It's about 5,000 or 6,000, Your
11 Honor.

12 THE COURT: All right. Thank you very much, Mr.
13 Hershey. Anything else you want to add before we go on?

14 MR. HERSHLEY: No, Your Honor. thank you for your
15 time.

16 THE COURT: Thank you, Mr. Hershey. Go ahead, Mr.
17 Koenig.

18 MR. KOENIG: Thanks, Your Honor. That was the
19 longest introduction I think I've ever given to a motion.

20 So as I think I previewed some time ago, one of
21 the most common issues that was reported in the early days
22 after the effective date was inadvertent or accidental
23 convenience claim elections. The convenience claim election
24 was an election on everybody's ballot that if somebody
25 elected would reduce the electing creditors' claim to

1 \$5,000, but they would get a guaranteed distribution of
2 liquid cryptocurrency equal to 70 percent of the reduced
3 claim. That is they would get \$3,500 of liquid
4 cryptocurrency.

5 Now, at the time the disclosure statement
6 projected Earn recoveries would have a liquid crypto
7 recovery of about half that, something like 33 percent. So
8 if you had a claim that was just above \$5,000, you could
9 elect to reduce your claim if you had \$5,050. You could --
10 if you didn't elect, you might have received 33 percent of
11 \$5,050, which lawyer math is challenging, as I've said a
12 couple of times. But that's closer to \$1,500 or \$2,000. Or
13 you could elect to just take a little bit of a haircut and
14 instead get 70 percent of \$5,000.

15 So that was the purpose of the election, was
16 people that are close to the \$5,000 mark, if they wanted to
17 forego the MiningCo equity, if they wanted to -- if they
18 just wanted the liquid crypto distribution and be done and
19 be out of the case, they could do that. And many people did
20 that.

21 Unfortunately, before the effective date we took a
22 look at the data and we realized that a number of people had
23 made that election that was clearly erroneous. I remember -
24 - I forget whether it was December or January. I stood in
25 front of Your Honor and the first thing I said was we had an

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1 update on this issue. And I said, Your Honor, there are
2 seven people of over a million dollars that checked that
3 box. Those people must have been wrong.

4 So we emailed everybody over \$25,000 and said, hi,
5 we think you made a bad decision. Would you like to rescind
6 your election? And about 70 to 75 percent of them did.

7 After the effective date, a lot of people got
8 distributions and they were surprised to learn that they
9 were in the convenience class. They asserted that they
10 didn't understand the ballot, that they never actually
11 checked the box. We checked our records. In every
12 instance, our records reflect that they did check the box.

13 But it was obviously -- it seems to have been a
14 mistake. And so I'll be honest that my initial reaction was
15 there was a ballot, there was a process. I went back and I
16 read the ballot. I think the ballot is pretty clear. I
17 will say we have creditors -- 45 percent of our creditors
18 are international. Many of them do not speak English as a
19 first language, and it seems very inequitable to me for a
20 creditor of a million dollars that checked a box erroneously
21 to receive a \$3,500 distribution instead of a \$500,000
22 distribution.

23 So as the communications both to us and to
24 chambers ramped up, we realized that this was a significant
25 problem and that these pro se creditors didn't know how to

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1 use the court system to ask for the relief that they wanted.
2 And so we took it upon ourselves to file a motion on behalf
3 of those creditors. It's a motion to rescind their mistaken
4 election. It's a little bit weird to file a motion for
5 another party's mistake. But we think that that's the right
6 thing to do. It's a little bit of a complicated motion.
7 Because anybody -- we ran the math. Anybody above \$9,333
8 would have never had an economic basis to make the election.
9 Even if they valued the equity at zero, they must have made
10 a mistake. For those people, we are proposing an automatic
11 revocation. They don't have to do anything at all because
12 they obviously made a mistake.

13 If you are between \$6,050 and \$9,333, you may have
14 had a reason. Maybe you prefer liquid cryptocurrency over
15 the equity. You don't value the equity and you would prefer
16 to have 70 percent of \$5,000 rather than take some equity
17 and some liquid crypto. So what we were proposing by the
18 motion is those people in that band would get an email from
19 us and they would have 30 days to affirmatively rescind
20 their election. If they do, great. We'll move them back
21 into the Earn class. And if they don't, we'll treat their
22 election as valid and, importantly, final.

23 For people between \$5,000 and \$6,050, they've
24 already received more than they would receive if they
25 rescinded their election. So it doesn't make any sense. If

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1 they rescinded their election, I would have to ask them to
2 give us something back. We're not going to do that. That
3 makes no sense.

4 The motion received three responses. One from --
5 there was a letter from a creditor -- and I apologize, I
6 have it somewhere. There was a letter from a creditor,
7 Docket Number 4385, that disagreed with the requested relief
8 because his view was that the ballot was explicit and that
9 many people made this choice and this is America and people
10 should be bound to their choices. That was the only thing
11 that I would say is an objection. There was another
12 creditor that filed an objection to preserve their election.
13 That is they did not want to opt out, they wanted to keep
14 their election. We checked, and that person was actually
15 not in the convenience class, which is very confusing to me.

16 THE COURT: On the agenda it says objection to
17 claim being rescinded by Patrice (indiscernible).

18 MR. KOENIG: I think that's -- what is the docket
19 number on that?

20 THE COURT: 4594.

21 MR. KOENIG: That was the one I just spoke about.
22 That person said I do not wish to rescind my election. That
23 person actually did not make the election. But it is what
24 it is.

25 Another creditor filed a letter, 4678, complaining

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1 that they couldn't rescind the election if they were below
2 the sixty-fifty mark. But again, they actually do better
3 where they are. So that doesn't make sense.

4 And then somebody else at 4718 said that he was
5 not informed that selecting the convenience claim election
6 would reduce his recovery. I think he's supporting the
7 motion. But again, he actually is not a convenience class
8 member and I think is confused.

9 THE COURT: Address the issue, because I think in
10 your motion you addressed the issue about the reserves that
11 are available and sort of the impact. I think one of the
12 things I'm focused on is if I grant the motion, what if any
13 impact does it have on other creditors in the case.

14 MR. KOENIG: Yes. That's important, Your Honor,
15 for sure. And that was one of the things that we focused
16 on.

17 So it's in the motion. But we have reserves in
18 this case because there are people that opted out of the
19 settlement and are going to litigate. And they could win or
20 they could lose. And so we set aside some funds in case
21 they are right and we are wrong. We have reserves for \$500
22 million of claims above and beyond the dollar values on the
23 schedules. Now, some of those are other cryptocurrency
24 firms that have sued us for, you know, their equivalent of
25 preference under foreign law. And so it's not all

1 individuals. But we have ample reserves. That said, we of
2 course can't just release everything from the reserves. I'm
3 sure that some of the corporate creditors are writing down
4 everything I'm saying and saying, well, why don't you
5 release the reserves for me. Those numbers are much larger
6 I would say.

7 So to Your Honor's question, if we revoke all of
8 the elections above \$9,333, we will release approximately
9 \$18.3 million worth of liquid cryptocurrency at the January
10 16th prices from the reserves, which is significant. But we
11 are comfortable that we have enough reserves to meet our
12 obligations under the plan. It's another \$6 million of
13 MiningCo stock. That's less of a problem because, you know,
14 MiningCo can issue more stock. And then more creditors will
15 receive future recovery rights under the plan. Again, that
16 is the -- those are the people that made a big mistake.

17 Assuming the revocation of the people in the
18 narrow band in the middle, the \$6,050 to \$9,333, that would
19 be \$1.1 million worth of additional liquid cryptocurrency.
20 It's a lot of people, but it's a small band. And if you had
21 \$8,000 and you were reduced to \$5,000 and we're putting you
22 back to \$8,000, it's a small dollar amount. The biggest
23 issues are the large creditors that made a big mistake.

24 So in total, Your Honor, it's \$19.4 million of
25 liquid cryptocurrency would come out of the reserves for

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1 which we are comfortable we have sufficient cushion to fix
2 this mistake.

3 THE COURT: Does anybody from the U.S. Trustee
4 wish to be heard? There were no objections. I know on the
5 agenda you've listed letters that were received.

6 MR. KOENIG: I was trying to make sure that people
7 had their voices heard.

8 THE COURT: Yeah. So Ms. Cornell?

9 MS. CORNELL: Good morning, Your Honor. Shara
10 Cornell with the Office of the United States Trustee.

11 The United States Trustee is aware of many of the
12 ongoing distribution issues. We are in receipt, just as
13 Your Honor is, of many emails on a daily basis from
14 creditors and constituents in these cases, some of which
15 have been reiterated on the docket via letters and also some
16 independent comments.

17 Prior to this hearing, we had reached out to
18 Debtors with a request for a status update, which the
19 Debtors have provided to the Court today. And I think it is
20 helpful for putting many of the stated concerns into context
21 for all of the creditors.

22 Our office are continuing to monitor the issues
23 and will provide assistance to the parties where
24 appropriate.

25 THE COURT: My question right now, I'm happy to

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1 hear you on all of the matters, Ms. Cornell. But
2 specifically with respect to the motion which is -- the
3 motion to revoke mistaken convenience class elections, it
4 was ECF 4372. And you didn't file an objection on that.

5 MS. CORNELL: No, I did not, Your Honor.

6 THE COURT: (indiscernible) ask whether -- your
7 position with respect to it.

8 MS. CORNELL: We took no position with respect to
9 the pending motion, Your Honor.

10 THE COURT: All right. Thank you. Does anybody
11 else wish to be heard with respect to this pending motion?

12 CLERK: Judge, Artur Abreu has his hand up.

13 THE COURT: All right. Mr. Abreu?

14 MR. ABREU: Hello, Judge. Just wanted to
15 highlight the support that we have. I think I have a group
16 with 130 people all in support. And I just want to
17 highlight that at no point on the ballot were people aware
18 of were they notified that they will be in some cases
19 rescinding 90 percent of their recoveries.

20 THE COURT: I understand our position, Mr. Abreu.
21 Thank you very much.

22 MR. ABREU: Thank you.

23 Does anybody else wish to be heard?

24 CLERK: I do not see any additional hands.

25 THE COURT: All right. This potentially is a

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1 complicated issue. Because the issue actually arose before
2 the effective date of the plan, I consider it different than
3 for example in the Boy Scouts case where it was much, much
4 later.

5 MR. KOENIG: It was more than a year after.

6 THE COURT: Correct. So this issue -- and at some
7 point before the hearing date the issue was highlighted to
8 me about this potential issue about mistaken election of
9 convenience class treatment. And I think because this issue
10 arose before the effective date but only comes up actually
11 today with the motion, I consider this materially different
12 than the situation in Boy Scouts, for example. And really
13 in the absence of any objection in light of when it was
14 first raised with the Court, the motion is granted.

15 MR. KOENIG: Thank you, Your Honor. We will work
16 to send the emails.

17 THE COURT: All right. I think that concludes our
18 agenda for today. Just let me come back to I think -- I'm
19 not sure you need to address every one of the issues that
20 arose today, but I think you should do a filing that
21 addresses it. I don't have any motions pending before me.
22 I think we've raised issues that -- they are of concern to
23 me.

24 MR. KOENIG: Right. We sill address the common
25 issues including corporate creditors and loan creditors.

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1 And we will review the transcript, but those are the two
2 that really stuck out to me.

3 The other thing is I mentioned -- I had forgotten
4 about the bank. It's Citizens Bank, Your Honor, which is a
5 bank that I am sure you are familiar with. Okay.

6 Anything else for me, Judge?

7 THE COURT: No. Thank you very much.

8 CLERK: Sorry, Judge. Simon Dixon has his hand
9 up.

10 THE COURT: We have finished the agenda for the
11 day. The hearing is adjourned. Thank you.

12 (Whereupon these proceedings were concluded at
13 12:42 PM)

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1 C E R T I F I C A T I O N

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3 I, Sonya Ledanski Hyde, certified that the foregoing
4 transcript is a true and accurate record of the proceedings.

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Sonya M. Ledanski Hyde

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Sonya Ledanski Hyde

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Date: March 21, 2024